

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

FRB-03 OMB-01 ITC-01 AGRE-00 AID-05 COME-00 LAB-04

OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01 AF-08

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FM USMISSION GENEVA

TO SECSTATE WASHDC NIACT IMMEDIATE 3033

INFO USMISSION OECD PARIS IMMEDIATE

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DEPT PASS EB FOR BOEKER AND KATZ, IO FOR WYMAN
TREASURY PASS ERB

AID PASS PPC/PDA/IEA FOR KEITH JAY

OECD PARIS PASS ROBERT RYAN, STEPHEN BOSWORTH AND
STEPHEN CANNER

E.O. 11652: /A

TAGS: UNCTAD

SUBJECT: UNCTAD TDB: DEBT ISSUE BECOMES CRITICAL

1. STATEMENT ON LLDC DEBT WAS READ ON BEHALF OF A
MAJORITY OF BROU P B MEMEBERS AT OCT 21 MEETING OF
CONTACT GROUP (TEST OF STATMENT IN PARA 8 BELOW).
IN EFFORT TO SEPARATE LLDC SITUATION FROM DEBT, STATE-
MENT PROPOSED THAT OVERALL PROSPECTS OF THE LLDCS
BE INCLUDED AS A SEPARATE AGENDA ITEM AT THE 1977
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BDB MINISTERIAL. SWEDEN AND NORWAY MADE SEPARATE

STATEMENTS WITH SWEDEN MAKING VIGOUROUS ATTEMPT TO UNDERCUT THRUST OF MAJORITY STATEMENT STRESSING THE LEGALLY BINDING NATURE OF 98(IV) AND THE FAILURE OF OTHER GROUP B COUNTRIES TO COMPLY.

2. GROUP OF 77 TERMED MAJORITY STAEMENT "DIS-APPOINTING" AND "NEGATIVE", AND HAVE DECIDED TO PRESS FOR A NEW RESOLUTION WHICH WOULD:

(A) REAFFIRM THE "SOLEMN MINISTERIAL LEVEL COMMITMENT" OF RESOLUTION 98(IV) REQUIRING DEVELOPED COUNTRIES TO TO "AGREE ON DEFINATE AND FAVORABLE MEASURES TO RELIEVE DEBT BURDENDS" OF THE LLDCS,

(B) TRANSFER THE FOLLOW-UP ON RESOLUTIONS 98(IV) TO THE TDB MINISTERIAL.

3. INITIAL REASCTION OF MOST OTHER GROUP B COUNTRIES WAS TO PROCEED IN DIRECTION SUGGESTED BY GROUP 77. USDEL MADE--AND IS CONTINUING TO MAKE-- REPEATED AND VIGOROUS ATTEMPTS TO HAVE GROUP B ADHERE TO GROUP B POSITION AS CONTAINED IN MAJORITY STATEMENT. WHILE MOST GROUP B COUNTRIES GENERALLY SUPPORT US OBJECTIVES, THEY BELIEVE THEY HAVE LITTLE CHOICE BUT TO NEGOTIATE WITH THE GROUP 77 AND ATTEMPT TO MAKE THE BEST OF IT. MOST WOULD PROCEED ON THIS COURSE IN THE EXPECTATION THAT THEY WOULD ADD AN INTERPRETIVE STATEMENT TO THE NEW RESOLUTION NOTING THAT THE AGREEMENT (IN RESOLUTION 98(IV) TO "DEFINITE AND FAVORABLE MEASURES" CAN'T BE RESTRICTED OR LIMITED BY TIME, AND THAT "MEASURES" COVER A BROAD RANGE OF OPTIONS, OF WHICH DEPT RELIEF IS ONLY ONE. WE ARE ARGUING THAT SUCH A STATEMENT WOULD STILL LEAVE GROUP B IN TACTICALLY WEAK BARGAINING POSITION. WE ALSO ARE STRESSING THAT IT IS NOT IN OUR INTEREST TO DO ANYTHING THAT DETRACTS FROM FOCUSING DEBT ISSUE IN CIEC.

4. AT THIS POINT WE ARE FACED WITH TWO RELATED ISSUES: HOW TO STATE OUR, OR GROUP B'S INTERPRETATION OF RES 98, AND HOW TO RESPOND TO G-77 LIMITED OFFICIAL USE

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DEMAND TO HAVE RES 98 PUT ON AGENDA FOR TDB MINISTERIAL IN 1977. ONE OPTION IS TO CLEAR RECORD BY FULLY EXPLAINING THAT RES 98 WAS NOT RPT NOT SEEN OR APPROVED BY UNITED STATES IN NAIROBI AND THAT WE NOW REPUDIATE IT. AT SAME TIME WE WOULD EMPHASIZE OTHER MEASURES US HAS ADOPTED OR IS PROPOSING FOR LLDC'S. SINCE ALL OTHER GROUP B COUNTRIES ACKNOWLEDGE AGREEMENT TO RES 98, WE WOULD BE ALONE IN THIS ACTION AND

FACE VIOLENT REACTION FOR LDCS

WITH G-77 STATEMENT THAT UNITED STATES HAS RENEGED ON SOLEMN MINISTERIAL COMMITMENT. (FACTS FO NAIROBI, IN THIS REGARD, ARE THAT GROUP B COORDINATORS FAILED TO CONTACT UNITED STATES DELEGATION BEFORE THIS RESOLUTION, WITH LAST MINUTE NEW PARAGRAPH ON DEBT, WAS PUT TO PLENARY; RESOLUTION WAS READ ALOUD IN PLENARY, BUT IN HECTIC STATE OF FINAL HOURS, WITH PRINCIPAL FOCUS ON COMMODITY ISSUE, THIS READING WAS NOT HEARD BY US DELEGATION.) WE WOULD EXPLAIN THIS SEQUENCE OF EVENTS IF WE WERE TO PURSUE REPUDIATION OPTION.

5. SECOND OPTION WOULD BE OT ATTEMPT GROUP B STATEMENT OR, AT MINIMUM, MADE US STATEMENT FOR THE RECORD THAT WE INTERPRET RES 98 IN WAY THAT IS CONSISTENT WITH OTHER US OBJECTIVES, WITH EXPLICIT DENIAL OF ANY FORM OF GENERALIZED DEBT RELIEF (SEE FOLLOWING DRAFT STATEMENT PARA 7). HOWEVER, THIS WOULD MEAN THAT AT NEXT YEAR'S TDB MINISTERIAL LDCS WOULD STILL BE ABLE CLAIM US COMMITTED TO RES 98.

6. DELEGATIONS PLAS TO INFORM GROUP B AT MORNING MEETING OF TWO POSSIBLE OPTIONS US IS CONSIDERING. IN VIEW SHORT DEADLINES US DELEGATE WOULD OFFER COMMENCE WORK ON JOINT GROUP B TEXT ALONG LINES OUTLINED IN PARA 7 IN CASE THAT COURSE ADOPTED BY US.

7. PROPOSED DRAFT GROUP B STATEMENT UNDER OPTION TWO:

A. GROUP B COUNTRIES HAVE BEEN PURSUING POLICIES TOWARD GIVING SPECIAL CONSIDERATION TO THE PARTICULAR AND LONG-TERM PROBLEMS OF THE LEAST DEVELOPED COUNTRIES, LIMITED OFFICIAL USE

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INCLUDING THE IMPACT OF DEBT BURDENS. A MAJORITY OF GROUP B COUNTRIES HAVE CONCLUDED THAT MEASURES TO ALLEVIATE THESE PROBLEMS CAN ONLY BE ADDRESSED IN THE CONTEXT OF THE OVERALL FINANCIAL SITUATIONS FACED BY THESE COUNTRIES. MOVEROVER, A MAJORITY OF GROUP B COUNTRIES BELIEVE STRONGLY THAT THIS IS FULLY CONSISTENT WITH THE LONG-TERM INTERESTS OF THE LEAST DEVELOPED COUNTRIES, VERY FEW OF WHOM HAVE A SIGNIFICANT DEBT ACCUMULATION. FOR EXAMPLE, DEBT REPAYMENT ON ODA FLOWS OWED TO DAC COUNTRIES CURRENTLY CONSTITUTE LESS THAN FIVE PERCENT OF TOTAL DAC ODA FLOWS OF NET RESOURCES TO THE LEAST DEVELOPED COUNTRIES. MOREOVER, ODA FLOWS FROM DAC COUNTRIES TO LEAST DEVELOPED COUNTRIES HAVE INCREASED BY SOME SEVENTY-FIVE PERCENT DURING THE PAST TWO YEARS.

B. IN CONTRAST, MOST GROUP B COUNTRIES FIND GENERALIZED DEBT RELIEF TO BE AN INEFFICIENT AND INEQUITABLE FORM OF RESOURCE ALLOCATION. (US IN ANY EVENT WOULD SPECIFICALLY CALL ATTENTION TO THE US STATEMENT OF RESERVATION AT NAIROBI REGARDING DEBT THAT "THE POLICY OF THE US REMAINS THAT OF ENGAGING IN DEBT RESCHEDULING NEGOTIATIONS IN THE CREDITOR CLUB FRAMEWORK ONLY WHERE THERE IS SOME PRESUMPTION OF IMMINENT DEFAULT". WE WOULD ADD EXPLICITLY THAT WE REMAIN OPPOSED TO ANY FORM OF GENERALIZED DEBT RELIEF).

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C. IN ADDITION, IN PROPOSALS PUT FORWARD IN THE CIEC RELATING TO AN INCREASE IN THE GRANT ELEMENT OF ODA AND IN PROPOSALS FOR IMPROVED REVIEW AND ACTION ON BOTH ACUTE DEBT PROBLEMS AS WELL AS LONGER-TERM STRUCTURAL, FINANCIAL AND TRANSFER OF RESOURCES PROBLEMS WHICH HAMPER DEVELOPMENT, MOST GROUP B COUNTRIES FEEL THAT THEY HAVE IN FACT BEEN GIVING

THE PRIORITY ATTENTION ANTICIPATED IN RES. 98.

D. FINALLY, IN THE PERIOD IMMEDIATELY AHEAD, THE NEGOTIATION OF THE FIFTH REPLENISHMENT OF IDA WILL CONSTITUTE THE LARGEST SINGLE DECISION OVER THE NEXT THREE YEARS ON RESOURCE TRANSFER AND FINANCIAL ASSISTANCE TO LEAST DEVELOPED COUNTRIES, WITH MAJOR RESULTING ALLEVIATION OF DEBT BURDENS, AND GROUP B COUNTRIES PLEDGE THEMSELVES TO A FULLY ADEQUATE RESPONSE TO THE FIFTH REPLENISHMENT.

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E. THEREFORE, THE MAJORITY OF GROUP B COUNTRIES FEEL THAT THEY HAVE IN FACT BEEN FULLY RESPONSIVE TO THE SPECIAL NEEDS OF THE LEAST DEVELOPED COUNTRIES AS DESCRIBED IN RES 98. HOWEVER, IN ORDER TO MAINTAIN A CONTINUING FOCUS ON THESE ISSUES WITH UNCTAD, THE MAJORITY OF GROUP B COUNTRIES PROPOSE THAT AT THE MINISTERIAL LEVEL TDB IN 1977, THE OVERALL DEVELOPMENT PROSPECTS OF THE LEAST DEVELOPED COUNTRIES, INCLUDING THE IMPACT OF DEBT BURDENS, BE INSCRIBED AS A SEPARATE ITEM ON THE AGENDA.

8. GROUP B STATEMENT READ IN CONTACT GROUP OCT. 21, AS REFERENCED IN PARAGRAPH 1: QUOTE

A. LAST WEEK THIS CONTACT GROUP DEVOTED CONSIDERABLE TIME TO DISCUSSING THE SECTION OF RES 98 (IV) PERTAINING TO THE DEBT SITUATION OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES. FOR OUR PART, WE HAVE TAKEN VERY CAREFUL NOTE OF THE STATEMENTS MADE BY THE DISTINGUISHED SPOKESMEN FOR THE GROUP OF 77, AND WE APPRECIATE FULLY THE SERIOUSNESS THE GROUP AS A WHOLE ATTACHES TO THE ISSUES INVOLVED.

B. WE HAVE CONVEYED FULLY TO OUR GOVERNMENTS THE VIEWS AND SENTIMENTS EXPRESSED. THESE HAVE BEEN DULY CONSIDERED ON A PRIORITY BASIS AT HIGH LEVELS OF OUR GOVERNMENTS. THROUGHOUT THIS REVIEW OUR GOVERNMENTS HAVE BEEN VERY CONSCIOUS OF THE VERY REAL NEEDS OF THE LEAST DEVELOPED COUNTRIES. OUR GOVERNMENTS HAVE ALSO RECOGNIZED THE COMPLEXITY OF DEBT SITUATIONS, AND -- AS WAS EXPLAINED FULLY LAST WEEK -- THE CONSIDERABLE MERITS OF APPLYING REMEDIAL ACTION ON AN INDIVIDUAL COUNTRY BASIS. AFTER WEIGHING ALL FACTORS, OUR GOVERNMENTS HAVE CONCLUDED THAT THE POSITIONS EXPRESSED BY OUR GROUP LAST WEEK REMAIN FULLY VALID.

C. IN REACHING THIS CONCLUSION, OUR GOVERNMENTS EMPHASIZED THEIR ACTIVE PARTICIPATION IN THE COMPREHENSIVE DISCUSSIONS THAT ARE NOW UNDERWAY DEALING WITH THE IMPORTANT MATTER OF HOW RESOLUTION 94 (IV) LIMITED OFFICIAL USE

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MIGHT BEST BE IMPLEMENTED. THEY NOTED THAT FACT THAT THIS RESOLUTION INCLUDES REFERENCE TO THE DIFFICULTIES AND PRESENT SITUATION OF THE LEAST DEVELOPED COUNTRIES, AS DOES SECTION 2(A) OF RESOLUTION 98(IV). IT IS THEIR BELIEF THAT FURTHER DISCUSSION OF THE SUBSTANCE OF THE DEBT ISSUE HERE AT THIS POINT IN TIME, WOULD NOT BE PRODUCTIVE OR LIKELY TO LEAD TO ANY CONCRETE RESULTS. I WOULD LIKE TO EMPHASIZE THE IMPORTANCE ALL GROUP B COUNTRIES ATTACH TO THE SUCCESSFUL CONCLUSION OF THE COMPREHENSIVE DISCUSSIONS ALREADY UNDERWAY. IN THIS CONNECTION, WE WELCOME THE FACT THAT THE MINISTERIAL SESSION OF THE TRADE AND DEVELOPMENT BOARD WILL INCLUDE ON ITS AGENDA ITEM A REVIEW OF THE ACTION TAKEN PURSUANT TO 94(IV).

D. I WOULD ALSO LIKE TO STRESS OUR GOVERNMENTS CONTINUING CONCERN REGARDING THE SPECIAL DEVELOPMENT PROBLEMS CONFRONTED BY LEAST DEVELOPED COUNTRIES. I BELIEVE OUR CONCERN IS UNDERSCORED BY THE ACTIONS OUR GOVERNMENTS HAVE DEMONSTRATED ON IMPROVING AND EXPANDING NEW CONCESSIONAL AID FLOWS BOTH IN OUR BILATERAL AID PROGRAMS AND IN SUPPORT OF THE MULTILATERAL FINANCIAL INSTITUTIONS WITH ACTIVITIES GERED PRIMARILY TO COUNTRIES IN THE GREATEST NEED. IN THIS CONTEXT, I NOTE FACT THAT WE HAVE INCREASED CONCESSIONAL ASSISTANCE TO THE LEAST DEVELOPED COUNTRIES BY APPROXIMATELY 75 PERCENT BETWEEN 1973 AND 1975. I WOULD ALSO LIKE TO REAFFIRM OUR INTENTION TO CONTINUE PROVIDING AID TO THE LEAST DEVELOPED COUNTRIES AT THE SOFTEST POSSIBLE TERMS. IN PARTICULAR, I WOULD LIKE TO POINT TO THE STRONG SUPPORT EXPRESSED FOR THE TIMELY AND SATISFACTORY COMPLETION OF THE FIFTH REPLENISHMENT OF IDA.

E. I WOULD LIKE TO ASSURE YOU, MR. PRESIDENT, AS WELL AS THE REPRESENTATIVES OF GROUP 77, THAT THE GOVERNMENTS OF GROUP B COUNTRIES WILL CONTINUE TO PURSUE POLICIES WHICH RESPOND EFFECTIVELY TO THE NEEDS AND REQUIREMENTS OF THE LEAST DEVELOPED COUNTRIES.

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F. MR. REPSIDENT, I THINK WE ARE ALL AGREED THAT THE EFFORTS OF ALL DONOR COUNTRIES TO ASSIST THE LEAST DEVELOPED COUNTRIES SHOULD CONTINUE TO RECEIVE PRIORITY ATTENTION WITHIN THE PERMANENT MACHINERY OF UNCTAD. I WOULD THEREFORE LIKE TO NOTE THAT THE SECRETARY GENERAL IS AUTHORIZED TO CONVENE AN INTER-GOVERNMENTAL GROUP OF EXPERTS TO ASSIST AS NECESSARY IN A REVIEW OF ACTION TAKEN PURSUANT TO RESOLUTION 94(IV) ON CERTAIN DEBTS ISSUES OF DEVELOPING COUNTRIES, INCLUDING LEAST DEVELOPED COUNTRY DEBT.

G. I WOULD ALSO LIKE TO PROPOSE THAT THE NECESSARY STEPS BE TAKEN TO INSURE THAT THE OVERALL DEVELOPMENT PROSPECTS OF THE LEAST DEVELOPED COUNTRIES BE INCLUDED AS A SPARATE AGENDA ITEM AT THE 1977 TDB MINISTERIAL. UNQUOTE. CATTO

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